



MCC was the only intervenor to file testimony in the Docket. MCC proposed longer service lives for various plant accounts, rejected the proposal of MB to amortize a depreciation reserve deficiency, and proposed the elimination of the use of Equal Life Group (ELG) depreciation procedures. MCC recommended depreciation rates which would result in an annual revenue reduction of \$7,561,000.

On June 13, 1988, a "three-way meeting" was held in Denver by the staff of the Federal Communications Commission. The purpose of the meeting was to discuss service lives that would be used for interstate and state purposes if agreement was reached. Representatives from Mountain Bell, MCC, the Montana Public Service Commission, and the FCC attended. Agreement was reached on service lives for all but five asset accounts.

On September 9, 1988, Mountain Bell filed a stipulation between Mountain Bell and MCC on all contested issues in this Docket. The stipulation accepted the service lives used by the FCC for Montana intrastate purposes with the five following exceptions:

Analog ESS - 17 years; Radio Systems - 19 years; Circuit Equipment Other - 14 years; Underground Cable - 37 years; Buried Cable - 31 years. MCC's opposition to Mountain Bell's proposed reserve deficiency amortization was withdrawn and its proposal to rescind MB's authority to utilize ELG procedures was withdrawn. The

impact of the stipulation on Montana intrastate depreciation expense is a decrease of \$1,497,000. This depreciation level causes a decrease in intrastate revenue requirements of \$1,304,000. The stipulation stated that the rate design for this rate reduction should be dealt with in a manner consistent with the rate design portion of Mountain Bell's pending rate case, Docket No. 88.1.2.

The Commission finds that the stipulation between Mountain Bell and Montana Consumer Counsel results in reasonable rates. In the last depreciation prescription the Commission expressed concern and reluctance to rapid amortization of any depreciation reserve deficiencies. No such amortization was implemented at that time by either the FCC or this Commission for Montana.

The Commission accepts the stipulation in this case as a reasonable compromise between the positions of the parties to this Docket. However, the parties should not construe the Commission's approval of the stipulation as approval of the concept of a reserve deficiency amortization or any other particular methodology pertaining to depreciation. In accepting this stipulation, the Commission reminds the parties that all issues and matters in this filing will again be closely scrutinized in the next depreciation filing of Mountain Bell and that the Commission's acceptance of the stipulation in this

proceeding will have no bearing on its decisions in any future proceedings.

The Commission does not anticipate addressing the levels of Mountain Bell's depreciation expense any further in either this Docket or Docket No. 88.1.2. However, the rate design will not be finalized in Docket No. 88.1.2 until the first quarter of 1989. Therefore, the Commission is implementing this revenue requirement decrease and rate change on an interim basis. The rates and revenue levels will be made final coincident with the Final Order in Docket No. 88.1.2. This Order will be implemented in conjunction with the Interim Order No. 5354 in Docket No. 88.1.2 and the interim rate design in that Order will be used to spread this decrease on an interim basis.

#### CONCLUSIONS OF LAW

1. Mountain Bell offers regulated telecommunications services in the state of Montana and is a public utility under Section 69-3-101, MCA. The Commission has authority to supervise, regulate, and control public utilities. Section 69-3-102, MCA.

2. Section 69-3-304, MCA, provides in part, "the Commission may, in its discretion, temporarily approve increases or decreases

pending a hearing and final decision." The rates approved herein are a reasonable means of providing interim annual revenue reductions for Mountain Bell.

3. If the final revenue requirement in this Docket is different than the revenues granted in this Order, refund and surcharge provisions protect both the Company and Montana ratepayers. Section 69-3-304, MCA.

4. The Commission has provided adequate public notice of all proceedings and opportunity to be heard to all interested parties in this Docket. Title 2, Chapter 4, MCA.

5. The rate level and rate structure approved herein are just and reasonable and not unjustly discriminatory. Section 69-3-330, MCA.

#### ORDER

1. Mountain Bell is hereby GRANTED a \$1,304,000 reduction in annual revenues on an interim basis.

2. The depreciation stipulation between Mountain Bell and Montana Consumer Counsel is hereby accepted for purposes of this

proceeding. Specifically, the service lives used by the FCC for Montana are accepted with the five following exceptions:

1. Analog ESS - 17 years
2. Radio Systems - 19 years
3. Circuit Equipment Other - 14 years
4. Underground Cable - 37 years
5. Buried Cable - 31 years

Mountain Bell shall file depreciation schedules which reflect these depreciation rates as set forth in the stipulation.

3. The revenue requirement in this Order will be implemented coincident with the rate increase ordered in Docket No. 88.1.2, Order No. 5354. Mountain Bell shall file rate schedules which reflect the net change in annual revenues as a result of these two Orders.

4. Rates and depreciation rates granted in this Docket will be effective upon filing and approval by the Commission.

5. Mountain Bell will implement the depreciation rates authorized in this Order coincident with the implementation of revised rates.

6. Neither the Commission nor any of the parties herein, by their acceptance of the stipulation shall be deemed to have accepted,

agreed to, or conceded any particular depreciation, ratemaking, or legal principle underlying the Stipulation. The parties have explicitly accepted this principle in paragraph 18 of the stipulation.

DONE AND DATED at Helena, Montana this 16th day of September, 1988,  
by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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CLYDE JARVIS, Chairman

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HOWARD L. ELLIS, Commissioner

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TOM MONAHAN, Commissioner

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DANNY OBERG, Commissioner

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JOHN B. DRISCOLL, Commissioner

ATTEST:

Carol A. Frasier  
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.